

Message Text

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61

ACTION ARA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
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FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 9022
INFO AMEMBASSY LONDON
AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

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E.O. 11652: N/A

TAGS: EMIN BR

SUBJECT: BRAZILIAN INDUSTRY DEMANDS LARGER SHARE OF ACOMINAS STEEL
PROJECT

1. SUMMARY. ACCORDING TO PRESS ACCOUNTS, AN INTENSE
STRUGGLE HAS BEEN WAGED AND WON BY THE NATIONAL INDUSTRY
SEEKING A LARGER SHARE OF THE ACOMINAS PROJECT. AN IN-
CREASE FROM 50 TO 60 PERCENT FOR BRAZILIANS SUPPLIERS WILL
REQUIRE \$200 MILLION IN ADDITIONAL FINANCING FROM INTERNAL
SOURCES. END SUMMARY.

2. IN AN EIGHT HOUR MEETING WITH THE SECRETARY GENERAL OF
THE MINISTRY OF INDUSTRY AND COMMERCE NOVEMBER 29, LEADERS
OF THE POWERFUL ASSOCIATION FOR THE DEVELOPMENT OF BASIC
INDUSTRY (ABDIB) AND THE ASSOCIATION OF THE ELECTRIC AND
ELECTRONIC INDUSTRY (ABINEE) ARE REPORTED TO HAVE DEMANDED
THAT THE BRAZILIANS SHARE OF PROCUREMENT OF EQUIPMENT FOR THE
ACOMINAS STEEL PROJECT IN MINAS GERAIS BE RAISED FROM THE
50 PERCENT LEVEL ENVISAGED BY IN THE CONTRACTS WITH THE
BRITISH, FRENCH, AND ITALIAN SUPPLIERS TO 70 OR 80 PERCENT.
THE BRAZILIAN INDUSTRIALISTS CHARGED THAT THE EXISTING
CONTRACT IS IN CONFLICT WITH THE LAW OF NATIONAL SIMILARS,
WHICH PRECLUDES THE PURCHASE OF FOREIGN EQUIPMENT IF SIMILAR
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EQUIPMENT IS PRODUCED IN BRAZIL.

3. THE ECONOMIC DEVELOPEMENT COUNCIL (CDI) REPORTEDLY DECIDED ON DECEMBER 1 TO INCREASE BRAZILIAN PARTICIPATION FROM 50 TO 60 PERCENT. ONE BILLION IN FOREIGN FINANCING HAD BEEN ARRANGED DURING PRESIDENT GEISEL'S VISIT TO THE UK LAST MAY FOR OVERSEAS PROCUREMENT, \$500 MILLION OF WHICH WOULD HAVE BEEN IN THE UK. THE CDI'S DECISION WILL REDUCE FOREIGN PROCUREMENT BY \$200 MILLION. ACOMINAS WILL REPORTEDLY SEEK FROM FINAME, A SUBSIDIARY FOR BNDE ADDITIONAL LOANS TO COMPENSATE FOR THE \$200 MILLION REDUCTION IN EXTERNAL FINANCING. (THIS WOULD INCREASE FINAME'S PARTICIPATION FROM \$150 TO \$350 MILLION.)

4. MINSTER OF INDUSTRY AND COMMERCE SEVERO GOMES WAS NOT PRESENT AT THE DECEMBER 1 MEETING OF THE CDI. NEVERTHELESS THE 10 PERCENT INCREASE IN NATIONAL PARTICIPATION IS SEEN HERE AS A VICTORY IN SEVERO GOMES' CAMPAIGN TO REDUCE DEPENDENCE ON FOREIGN SUPPLIERS IN BRAZIL'S DEVELOPMENT.

5. THE GOVERNOR OF MINAS GERAS WAS EXPECTED TO CALL ON PRESIDENT GEISEL ON DECEMBER 6 TO PRESS HIS CASE THAT ACOMINAS SHOULD NOT BE DELAYED BY THE MANEUVERING OF BRAZILIAN BUSINESS INTERESTS. GOVERNOR AURELIANO CHAVES IS ALSO CONCERNED OVER THE EFFECT ON THE RAILROAD OF STEEL OF AN EARLIER DECISION TO INCREASE BRAZILIAN PARTICIPATION IN THAT PROJECT. IN COMMENTING TO THE PRESS HE STRESSED THAT THE "MERCURIAL PRESSURES" OF THOSE SEEKING BUSINESS SHOULD NOT BE ALLOWED TO SLOW NATIONAL DEVELOPEMENT.

6. COMMENT. SEVERO GOMES' CAMPAIGN TO INTERNALIZE THE BRAZILIAN ECONOMY AND THE NATIONAL INDUSTRY'S DESIRE FOR A LARGER GURANTEED SHARE OF MAJOR PROJECTS (PARTICULARLY IN THE WAKE OF CUTS IN PUBLIC EXPENDITURES HAVE REINFORCED ONE ANOTHER AND APPEAR TO HAVE WON OUT ON A SPECIFIC PROJECT, COMINAS IN THE HIGHEST ECONOMIC BODY, THE CDI. THE EMBASSY IS BRINGING THIS CASE TO THE DEPARTMENT'S ATTENTION BECAUSE OF OUR EXPECTATION THAT THERE WILL BE INCREASED BUSINESS PRESSURES FOR A LARGER BRAZIIAN SHARE LIMITED OFFICIAL USE

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ON OTHER PROJECTS AS WELL.
CRIMMINS

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Message Attributes

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Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
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Disposition Date: 28 MAY 2004
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Disposition History: n/a
Disposition Reason:
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